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No. 95-805

IN THE
Supreme Court of the United States
OCTOBER TERM, 1995

CHASE PACKAGING CORPORATION,
Petitioner,

v.

SUPER SACK MANUFACTURING CORPORATION,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITIONER'S REPLY BRIEF

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PETITIONER'S REPLY BRIEF

INTRODUCTION

Respondent's attempt to point out asserted "mischaracterizations" in the Petitioner's Statement of the Case has resulted in a number of misleading statements.

This case has not been "essentially dormant" since 1989 as Super Sack claims. Eighteen motion papers were before the trial court when the case was dismissed (Appendix 14a-16a). Furthermore, during the period from 1990 to September, 1994, over 68 entries were added to the trial court's docket. This was not a "dormant" case.

Chase's Motion for Summary Judgment on the issues of non-infringement and patent invalidity was pending more than one year before Chase filed its Motion for an Order to Show Cause Why Defendant's Motion for Summary Judgment Should Not Be Granted ("Show Cause Motion"). Super Sack failed to assert any reason why the trial court should have denied Chase's Summary Judgment Motion on the issue of non-infringement, but rather filed its Motion to Dismiss based on the voluntary withdrawal of its complaint. Super Sack's motion was filed a mere one week following Chase's Show Cause Motion, no doubt because Super Sack had no defense to the Summary Judgment Motion. Until that time in the litigation, five separate trial dates had been set and canceled. While it is technically true that no actual trial date was then pending, no better characterization than "on the eve of trial" applies.

Contrary to Super Sack's statements in footnote 3 of its opposition brief, Chase filed its Bill of Costs as a prevailing party under Rule 54(d), after the Federal Circuit had rendered its opinion. Since costs are granted to a prevailing party under Rule 54(d), Super Sack's assertion that the trial court granted Chase's "terms and conditions" pursuant to Rule 41 is totally misleading and inaccurate.

ARGUMENT

I. This Court Should Grant the Petition to Clarify Whether a Complaint for Infringement and a Counterclaim for Invalidity Can Be Dismissed Without Following the Dismissal Requirements Set Forth in F.R.C.P. Rule 41.

Super Sack simply argues that since it voluntarily withdrew its complaint, there was no case or controversy, and thus, Chase's counterclaim should and could be dismissed.

Super Sack gives no basis for its simplistic approach. Super Sack never explains or argues how its complaint and Chase's counterclaim could be dismissed without following the procedures set forth in the Federal Rules of Civil Procedure which govern voluntary dismissals, Rule 41.

Super Sack cites six cases at pages 8 and 9 of its opposition brief to support its claim that its complaint and Chase's counterclaim should have been dismissed upon Super Sack's voluntary withdrawal of the complaint. None of these cases, however, supports an argument that Rule 41 of the F.R.C.P. is not to be followed upon the voluntary withdrawal of a complaint. None mentions Rule 41.

Under Rule 41, Chase's counterclaim could not have been dismissed.[1]

Nowhere in Super Sack's opposition brief does Super Sack make an effort to state or argue why Rule 41 is inapplicable in the instant case. In fact, Super Sack never mentions Rule 41 in its opposition brief. The Federal Circuit in its opinion, footnote #2, Appendix 6a, relies on little more than its desire to affirm the trial court to justify its refusal to apply Rule 41. This Court should grant the Petition to clarify how Rule 41 is to be applied, especially how it is to be applied in patent cases.

II. This Court Should Grant the Petition to Clarify Whether the Cardinal Case is Applicable to the Trial Courts.

Since the cases relied upon by Super Sack were decided before *Cardinal Chemical Co. v. Morton Int'l, Inc.*, 113 S.Ct.

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[1] Super Sack's complaint could have been dismissed under Rule 41 because the counterclaim for "invalidity" was an independent claim.

1967 (1993), they do not support Super Sack's position. The holding in *Cardinal* that "invalidity presents a claim independent of the patentee's charge of infringement" must be given some meaning in evaluating whether there is a "case or controversy" with respect to the issue of validity.

Super Sack argues that an actual controversy must exist at all stages and that because it voluntarily withdrew its complaint for infringement, the controversy as to validity evaporated or became moot upon the withdrawal of the infringement claim. Even assuming for argument that this may have been the interpretation of the trial and appellate courts prior to *Cardinal*, *Cardinal* has clearly restricted the lower courts' freedom to avoid the issue of patent invalidity.

As indicated above, *Cardinal* said "invalidity" is a claim independent of the claim of infringement. The Federal Circuit narrowly interpreted *Cardinal* and held in this case that *Cardinal* is directed only to the Federal Circuit and applies

> ". . .in the following–and only the following–way: an affirmed finding of noninfringement does not, without more, justify a reviewing court's refusal to reach the trial court's conclusion on invalidity." (Appendix 12a).

Such a narrow interpretation of *Cardinal* cannot be fairly extracted from this Court's opinion in *Cardinal.*

This Court should grant the Petition to clarify whether the *Cardinal* case and the statement made therein regarding the independence of the claim of invalidity is also applicable to the trial courts.

III. The Court Should Grant the Petition to Clarify the Question Whether Validity is a Claim Separate From That of Infringement.

Super Sack argues that Chase's counterclaim for invalidity does not exist independent of Super Sack's claim of infringement and that the *Cardinal* holding only applies to the Federal Circuit. If indeed that is the intended position of this Court, this Court should grant the Petition in order to clarify the following language in the *Cardinal* case:

> "Merely the desire to avoid the threat of a 'scarecrow' patent, in Learned Hand's phrase, may therefore be sufficient to establish jurisdiction under the Declaratory Judgment Act. If, in addition to that desire, a party has actually been charged with infringement of the patent, there is, **necessarily**, a case or controversy adequate to support jurisdiction of a complaint, or a counterclaim under the Act. In this case, therefore, it is perfectly clear that the District Court had jurisdiction to entertain Cardinal's counterclaim for a declaratory judgment of invalidity."
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> * * *
>
> "A party seeking a declaratory judgment of invalidity presents a claim independent of the patentee's charge of infringement." *Cardinal*, 113 S.Ct. at 1975. (Emphasis in the original).

The *Cardinal* opinion unequivocally states that the trial courts should entertain counterclaims for patent invalidity and that "invalidity" is a claim separate from the claim of infringement. The Federal Circuit has ignored this language in the opinion below. To follow the logic of the Federal Circuit would hold both the defendants and the trial court's docket

hostage to the whim of a patent-owner plaintiff and its at-will desire to pursue or withdraw its claim of infringement. This Court should grant the Petition to clarify whether the issue of invalidity is truly independent of the claim of infringement at the trial court level.

IV. The Court Should Grant the Petition to Resolve the Question of What Test must be Used in Determining Whether a Case or Controversy Exists With Respect to a Counterclaim of Invalidity.

Super Sack argues that the test for "case or controversy" with respect to the issue of invalidity is the two-prong test of the "threat of infringement" set forth in *BP Chems. Ltd. v. Union Carbide Corp.*, 4 F.3d 975 (Fed.Cir. 1993). This test was in fact used by the Federal Circuit in this case (Appendix 8a-12a) even though the complaint for infringement had been withdrawn.

Since the *Cardinal* case states that "invalidity" is a claim independent of the claim of infringement, the *BP Chems.* test is inapplicable in determining jurisdiction over validity. The proper inquiry is whether an issue of "invalidity" exists, not a test as to whether an issue of "infringement" exists. Why should a test directed to "threat of infringement" be used when the infringement claim has been withdrawn and an invalidity counterclaim remains, as was the case here? This Court should grant the Petition to clarify whether invalidity or the threat of infringement test is the proper test to be used in determining the existence of a "case or controversy" with respect to a declaratory judgment counterclaim for invalidity.

If the "threat of infringement" test is used to determine whether there is an issue as to invalidity for "case or

controversy" purposes, the result will be the routine dismissal of counterclaims for invalidity, contrary to the espoused directive of this Court that the "issue of validity" be litigated on public policy grounds, *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 113 S.Ct. 1967 (1993), *Blonder Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971), *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327 (1945).

CONCLUSION

For the foregoing reasons, the Petition for a Writ of Certiorari to the Federal Circuit should be granted.

Respectfully submitted,

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